

Message Text

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43

ACTION NEA-06

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O 181603Z MAR 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC IMMEDIATE 3419

INFO AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

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LIMDIS

EO 11652: GDS

TAGS: ENRG ELTN JO LE SA US

SUBJ: TAPLINE LETTER TO GOL: TEXT

REF: JIDDA 1876, STATE 59121

1. FOL IS TEXT OF TAPLINE LETTER OF MAR 17 TO GOL PRIME MINISTER
DELIVERED 0930 LOCAL MAR 18 TO GOL OILMIN LOUIS ABU SHARAF AND
THEREAFTER VOLUNTEERED TO EMB BY TAPLINE. TAPLINE AND GOL
AGREED TO KEEP LETTER SECRET FOR TIME BEING.

2. "AS WE HAVE EXPLAINED IN RECENT DISCUSSIONS WITH REPRESENTATIVES
OF YOUR EXCELLENCY'S GOVT, TAPLINE IS IN A CRITICAL ECONOMIC
SITUATION. THE REASON FOR THIS IS THE LACK OF
DEMAND FOR CRUDE OIL AT SIDON BECAUSE OF CURRENT
TAX REFERENCE PRICES APPLICABLE THERE AND THE
SAGGING TANKER RATES. IT IS CONSIDERABLY LESS
EXPENSIVE TO DELIVER OIL FROM SAUDI ARABIA TO
EUROPE BY TANKERS GOING AROUND THE CAPE OF GOOD
HOPE THAN IT IS BY TRANSPORTING OIL THROUGH
TAPLINE TO SIDON AND ONWARD TO EUROPE BY TANKERS.
THIS SITUATION HAS BEEN MADE SIGNIFICANTLY WORSE
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BY THE FACT THAT TAPLINE HAS BEEN AND CONTINUES TO

BE UNABLE TO COLLECT THE PRICE FOR OIL DELIVERED
TO THE GOVTS OF LEBANON AND JORDAN IN ACCORDANCE WITH AGREEMENTS
WITH THEM, AND THE ALREADY SUBSTANTIAL DEBTS CONTINUE TO
INCREASE. IN THE CASE OF LEBANON THE CURRENT DEBT IS OVER
\$100 MILLION.

TAPLINE HAS THEREFORE CEASED TRANSPORTING
OIL TO SIDON AND, UNLESS THE SITUATION IMPROVES
SUFFICIENTLY TO MAKE TAPLINE ECONOMICALLY
VIALE, THE CESSATION WILL OF NECESSITY BECOME
PERMANENT. WE ARE CONSIDERING THIS MATTER AND
SHALL REACH A FINAL DECISON WITHIN THREE MONTHS.
IN THIS CONNECTION, WE ARE PREPARED TO BEGIN
NEGOTIATIONS PROMPTLY WITH ALL GOVTS INVOLVED WITH THE
AIM OF REACHING A SOLUTION THAT WOULD ENABLE TAPLINE TO CONTINUE
OPERATIONS. SUCH SOLUTION, IN OUR OPINION, WILL HAVE TO INCLUDE
THE REDUCTION OF TRANSIT AND OTHER PAYMENTS TO THE GOVTS
INVOLVED IN A MANNER THAT WOULD GUARANTEE THE
COMPETITIVENESS OF THE PIPELINE WITH TANKERS, NOW AND IN THE FUTURE.

DURING THE THREE MONTHS PERIOD MENTIONED ABOVE,
TAPLINE WILL CONTINUE TO MAKE DELIVERIES
TO THE GOVT FOR THE MEDRECO REFINERY AT
THE CURRENT RATE, WITH THE EXPECTATION THAT PROMPT
AGREEMENT WILL BE REACHED WITH THE GOVT
THAT PAYMENT THEREFOR WILL BE MADE CURRENTLY
ON THE BASIS OF THE AGREEMENT OF 17 MAY 1952 AND
AT A LEVEL SUFFICIENT TO COVER THE COST OF THE
OIL TO TAPLINE, WHICH IS NOW \$12.55 PER BARREL
AT 34 DEGREES GRAVITY. WE WOULD ALSO EXPECT ACCEPTABLE
ARRANGEMENTS FOR PAYMENT OF DELIVRIES MADE IN THE PAST.

WE MUST POINT OUT TO YOUR EXCELLENCY THAT
DUE TO THE LACK OF DELIVERIES AT SIDON FOR EXPORT,
THE FEES PAYABLE TO THE GOVT AND WHICH
TAPLINE HAS BEEN SETTING OFF AGAINST PAYMENTS
DUE FROM THE GOVT FOR THE OIL DELIVERED
TO IT HAVE BECOME PRACTIALLY NIL. AT THE
SAME TIME, AND FOR THE SAME REASON, TAPLINE'S
OPERATING COSTS ALONE HAVE INCREASED BY ABOUT \$3 PER BARREL.

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AGAINST THE POSSIBILITY THAT SOLUTION TO
TAPLINE'S SITUATION IS NOT REACHED IN THE NEAR
FUTURE, THE GOVT WILL UNDOUBTEDLY MAKE
PLANS FOR OBTAINING OIL FROM SOURCES OTHER THAN
TAPLINE. FURTHER, IN THAT EVENTUALITY, THE
TRANSIT COUNTRIES WOULD NO LONGER BE ABLE TO
DEPEND ON TRANSIT AND RELATED PAYMENTS. MEANWHILE,

TAPLINE WILL MAKE EVERY EFFORT TO REDUCE
ITS OPERATING COSTS WHICH WOULD HAVE TO INCLUDE
A DRASIC REDUCTION IN THE SCOPE OF TAPLINE'S
OPERATIONS IN LEBANON. WE FEEL DUTY BOUND TO
BRING THIS MATTER TO YOUR EXCELLENCY'S ATTENTION
IN VIEW OF ANY ECONOMIC AND SOCIAL CONSEQUENCES
THAT MIGHT ENSUE.

IN CLOSING, WE SINCERELY HOPE IT WILL BE
POSSIBLE, WITH THE UNDERSTANDING AND COOPEATION
OF THE GOVT'S INVOLVED, TO REACH A SOLUTION
TO TAPLINE'S SITUATION THAT WOULD PERMIT IT TO
CONTINUE ITS OPERATIONS AS WELL AS TO
ENJOY THE GOOD RELATIONSHIP WE HAVE HAD WITH
YOUR EXCELLENCY'S GOVT FOR MANY YEARS.

RESPECTFULLY,

TRANS-ARABIAN PIPE
LINE COMPANY

BY-----
DAVID S. DODGE.

GODLEY

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NNN

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